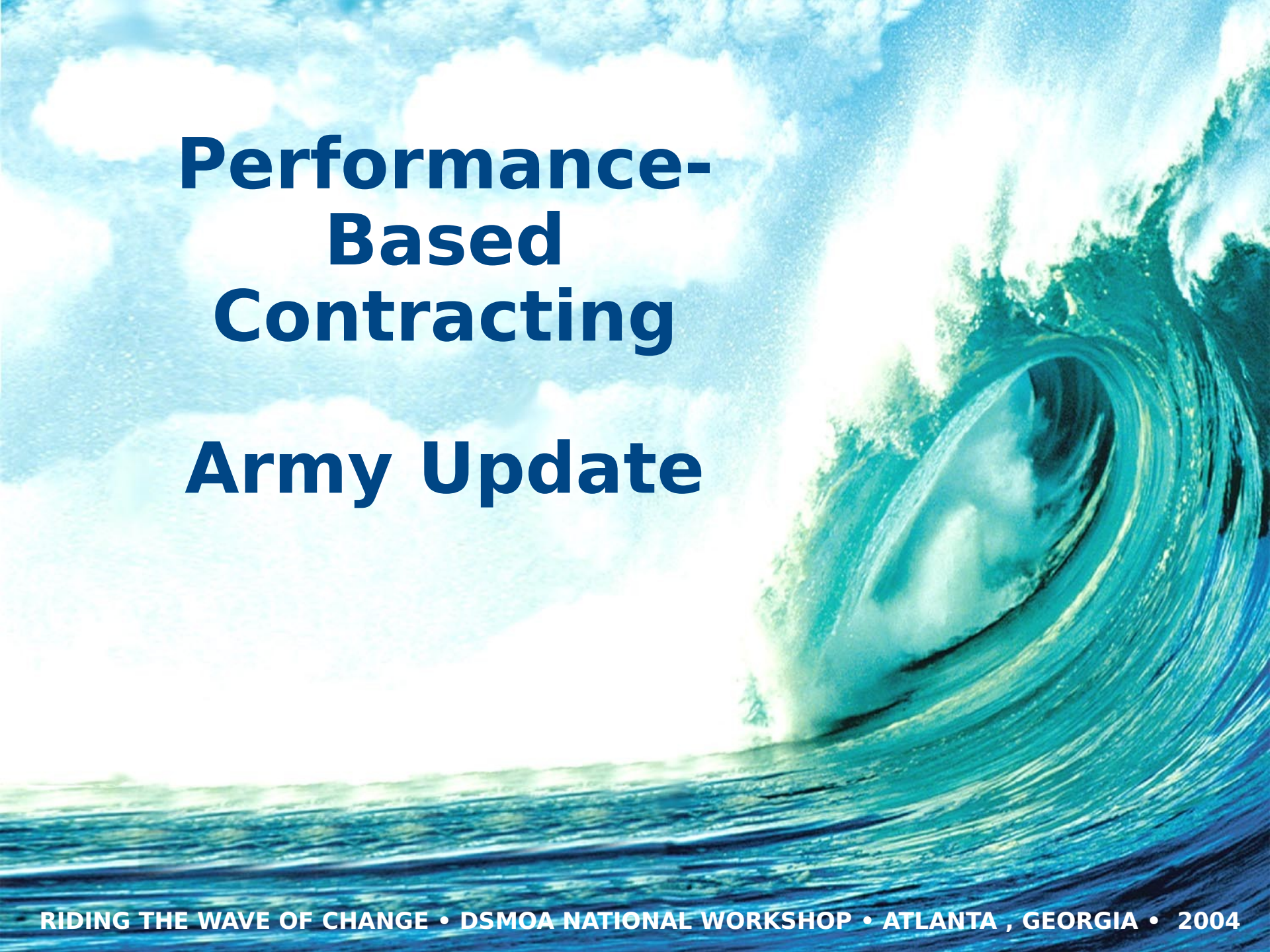


Performance-Based Contracting

Army Update

PURPOSE

- Outline Performance Based Contracting Initiative for Army's Installation Restoration Program (IRP)
- Discuss why Army is proceeding with PBC
- Discuss roles and responsibilities in PBC implementation
- Discuss current status and next steps

BACKGROUND

- **Performance-Based Contracting is a Federal Government-Wide Initiative**
  - Government Performance and Results Act (of 1993)
  - Federal Acquisition Streamlining Act (of 1994)
  - President's Management Agenda
- **In 2002, 25% of the Department of Defense contracts were performance based**
- **In 2003, 9.6% of the Army's Installation Restoration Program was performance based**
  - Senate Report 108-46, May 2003
    - Armed Services Committee urged the Army to continue exploring appropriate uses of these contracts for contaminated sites

ARMY ENVIRONMENTAL CLEANUP STRATEGY

- **Released April 2003 by Assistant Secretary of the Army (Installations & Environment)**
- Provides roadmap to guide Army in attaining its environmental cleanup vision
  - *The Army will be a national leader in cleaning up contaminated land to protect human health and the environment as an integral part of its mission.*
- Lays groundwork for identification and development of a framework to achieve program goals and objectives
- Encourages development and use of innovative business processes to improve the efficiency of the environmental cleanup program

WHAT IS PBC?

- **Performance-Based Contracting (PBC)** is a mechanism that solicits bids on the basis of what ***RESULTS*** you want achieved rather than what ***ACTIVITIES*** you want conducted
  - Contract for "What," not "How"

- **Characteristics of PBC:**
  - Clearly defined performance expectations and measures (baseline vs. expected results)
  - Clearly defined due dates & milestones
  - Use of incentives for performance
  - Flexibility in exchange for accountability for results

PBCs are monitored to ensure performance is being achieved

PBC CONTRACT TYPES

- Acquisition “Tool Box” for Performance-Based Contracting includes…
  - Fixed Price Remediation using Statement of Objectives
  - Fixed Price Remediation using Incentives
  - Guaranteed Fixed Price Remediation (GFPR)
    - With or without Cost Cap Insurance and/or Pollution Liability Insurance

KEY - be less prescriptive and contract for objectives and results

PBC FOR ENVIRONMENTAL CLEANUP

- **Goal is for Contractor is to achieve one or more of the following performance objectives for each site identified in the Performance Work Statement:**
  - **Response Complete**
  - **Remedy in Place**
  - **Long-term Monitoring/Successful 5-year Review**
- **Environmental Insurance MAY BE used to protect against cost overruns above the estimated remediation cost**

WHY PBC?

- Performance-Based Contracting is intended to improve cost and schedule performance without compromising cleanups that are protective of human health and the environment
  - History
  - Safety vs. Speed
  - Strategy to “get it done”
  - Approach

IRP HISTORY

- Significant variation in program performance
  - Cost and schedule baselines not uniform
  - Progress toward completion is lacking
    - Cost-to-Complete increasing – currently ~$3.4 billion
    - Schedules slipping
      - Completing only 60-70% of planned versus actual milestones
  - Performance-based contracts currently showing 85-90% completion of planned milestones
    - FY03 experienced ~20% cost avoidance with PBC
- Program not incentivized for completion

CHANGE IS NEEDED TO GET DONE

SAFETY vs. SPEED?

- PBC does not trade safety for speed
- Safety and quality can be incentivized
- Innovation can be incentivized
  - Perception is that private cleanup goes faster
  - Learn and apply the proven private sector practices

STRATEGY TO “GET IT DONE”

- Increase use of PBC
  - Use incentives for innovation and reaching program completion
- Streamline Army Cleanup infrastructure
  - Get more dollars to the ground doing actual cleanup
- Decrease the number of contract overruns, change orders
- Reduce variability in program performance and optimize project baselines

APPROACH

- Develop corporate acquisition tools ("Toolbox") to accelerate cleanup/closure
- Increase competition
- Maintain contracting flexibility to improve cost effectiveness
  - One size does *not* fit all circumstances
- Contractors must be accountable for their performance

COLLABORATION

The Army will continue to work with Installations, Regulators, and Communities when considering options for Performance-Based Contracting

- The Army, as Lead Agent, still maintains responsibility for the cleanup and the Regulators still have approval authority

ROLE OF THE INSTALLATION RESTORATION PROGRAM MANAGER

Little change! Installation RPM still…

- Oversees contract
- Interfaces with Regulators, along with Contractor
- Interfaces with Public
- Manages and monitors long-term operations
- Manages contract cost, schedule, and reporting
  - Army has centralized restoration program management and database management at the US Army Environmental Center for improved data quality and ease of reporting/response to out of cycle data

ROLE OF THE REGULATOR

- Beginning with initial scoping meetings, attend information sessions with installation personnel and contract team
- Participate in development of performance measures for the contract, and comment on the draft Performance Work Statement
- Participate in Bidders' conferences to present regulatory views to prospective contractors
- After project begins, continue to maintain active role by reviewing remedial activities prior to implementation
  - Provides comments on site documents
- **Ultimately concurs with remedy completion**

ROLE OF THE RESTORATION ADVISORY BOARD (RAB)

No change! Public retains stakeholder involvement in decision-making process

- Provide advice on environmental restoration issues
- Conduct regular meetings open to the Public
- Keep meeting minutes that are available to the Public
- Review, advise, and comment on environmental restoration documents
- Recommend project requirements
- Recommend site cleanup priorities
- Provide advice and comment on restoration issues
- Represent and communicate Community interests and concerns

ARMY'S RESPONSIBILITIES

- Army fulfills its program responsibilities by:
  - Approving all performance / remedial objectives
  - Maintaining the Administrative Record
  - Signing all agreements / Decision Documents
  - Maintaining primary interface with Regulators & Public
  - Certifying all deliverables
- Army must be the final decision authority for award, oversight, and payment

ARMY RETAINS ULTIMATE ENVIRONMENTAL LIABILITY

ARMY METRICS

- Installation Restoration Program PBC goals:
  - FY03: 3-5% of total program – **Achieved 9.6%**
  - FY04: 30% of total program
  - FY05: 50% of total program
  - FY06: 70% of total program
  - FY07+: 80% of total program

Planning Targets → ACHIEVE 40% IN FY04 (~$158M*) & 80% BY FY05 (~$316M*)

*Based on ~$395M program

- Measures of Merit show decline in actual vs. projected phase completions (based on actual FY02 and FY03 data)

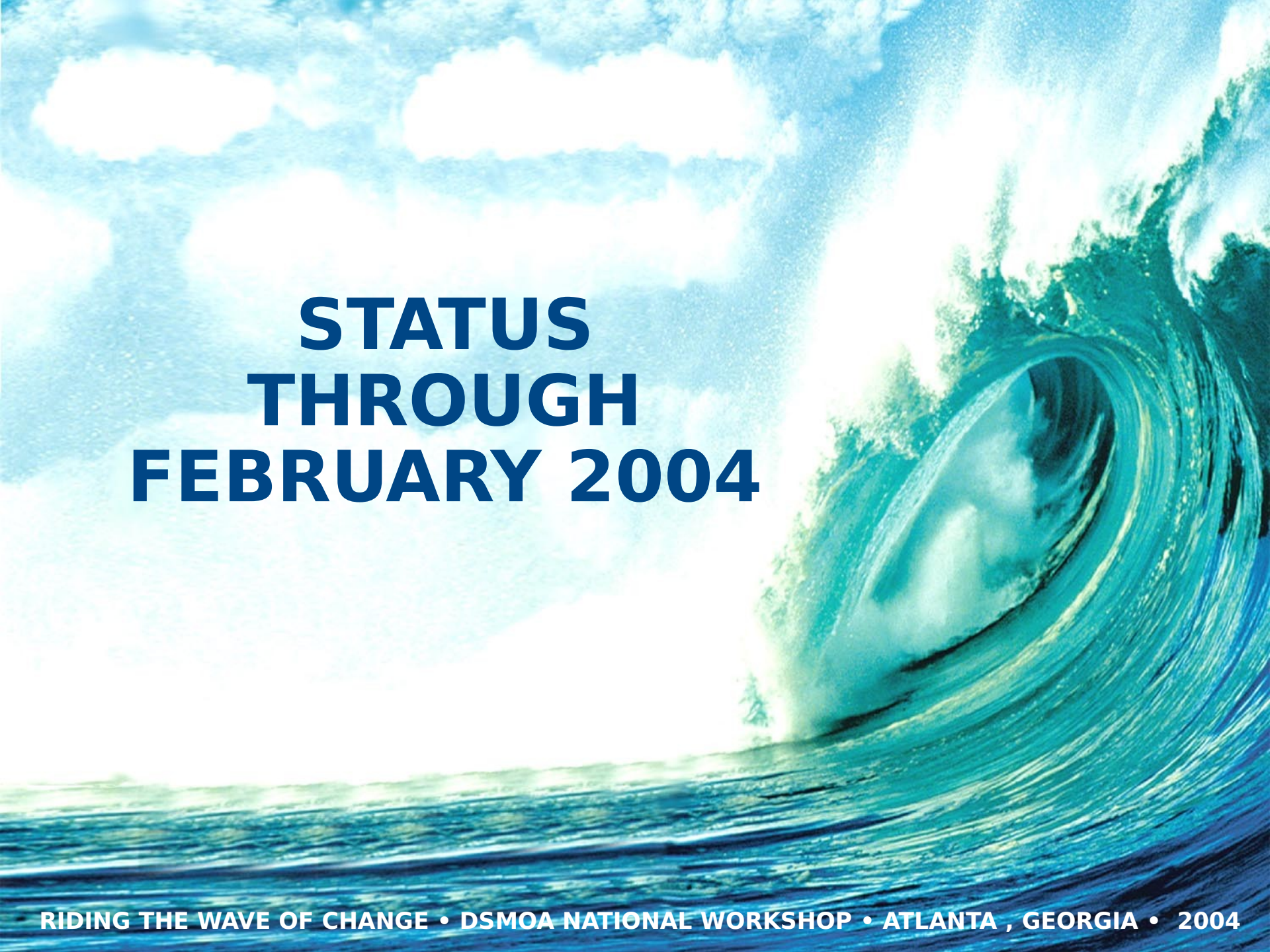
INNOVATIVE BUSINESS STRATEGIES REQUIRED TO ACHIEVE THESE GOALS

USE OF PBC IN NAVY CLEANUP

- Navy was the first Service to pilot the use of Guaranteed Fixed Price Remediation for an entire base
- Navy does not have specific metrics associated with PBC
- Navy has increased the use of:
  - Fixed price contracting as cleanups become better defined
  - Small businesses in the cleanup program
- Navy has decreased the use of cost contracts for environmental cleanup activities, but still utilizes for sites with hard to define conditions
- Navy maintains a “tool box” of contracting options and will continue to match the best contracting method for the particular site/remedy, consistent with meeting DoD goals

USE OF PBC IN AIR FORCE CLEANUP

- Air Force is pursuing the use of PBC for cleanup
- PBC is viewed as a component of a much larger movement - Performance-Based Management
- Air Force is NOT abdicating its responsibilities – using PBC helps to clarify responsibilities and focus resources on clearly defined objectives
- Stakeholders remain critical to process and must help define the objectives
- Air Force has seen significant savings and good early results using PBC



STATUS THROUGH FEBRUARY 2004

PBCs AWARDED TO DATE

INSTALLATION	COST-TO-COMPLETE	INDEPENDENT GOVT EST	TOTAL CONTRACT	COST AVOIDED*
Fort Gordon, GA **(Region 4)**	----	$20.4M	$19.4M	$1.0M
Fort Leavenworth, KS **(Region 7)**	----	$21.8M	$19.87M	$1.93M
Lake City Army Ammo Plant, MO **(Region 7)**	$68.2M	$54.7M	$52.4M	$15.8M
Fort Jackson, SC **(Region 4)**	$9.78M	$14.7M	$14.2M	($4.42M)
Fort Dix, NJ **(Region 2)**	$6.0M	$6.8M	$3.1M	$2.9M
Sierra Army Depot, CA **(Region 9)**	$27.7M	$34.3M	$19.3M	$8.4M
Ravenna Army Ammo Plant, OH **(Region 5)**	$12M	$6.7M	$9.8M	$2.2M
TOTAL	165.9			**27.8M ~17%**

*With the exception of Gordon & Leavenworth, based on comparison of CTC to Total Contract amount

NEXT STEPS

- Complete evaluation of FY04 PBC candidates
  - Alaska Buy-out – Completed
  - Fort Irwin - Completed
  - Fort Polk - Completed
  - Fort Rucker - Completed
  - Hawaii Buy-out - Completed
  - Iowa AAP - Completed
  - Joliet AAP - Completed
  - Louisiana AAP - Completed
  - Milan AAP - Completed
  - Riverbank AAP - Completed
  - National Capital Region – Completed
  - National Guard Buy-Out - Completed
  - Ravenna AAP – Deferred
  - Rock Island Arsenal - Completed
- Finalize cleanup baselines to include decision logic, actions, sequencing, schedules and uncertainties
- Develop Performance Work Statements & Cost Estimates
- Award contracts

STRETCH GOAL: 40% of IRP funding via PBC in FY04

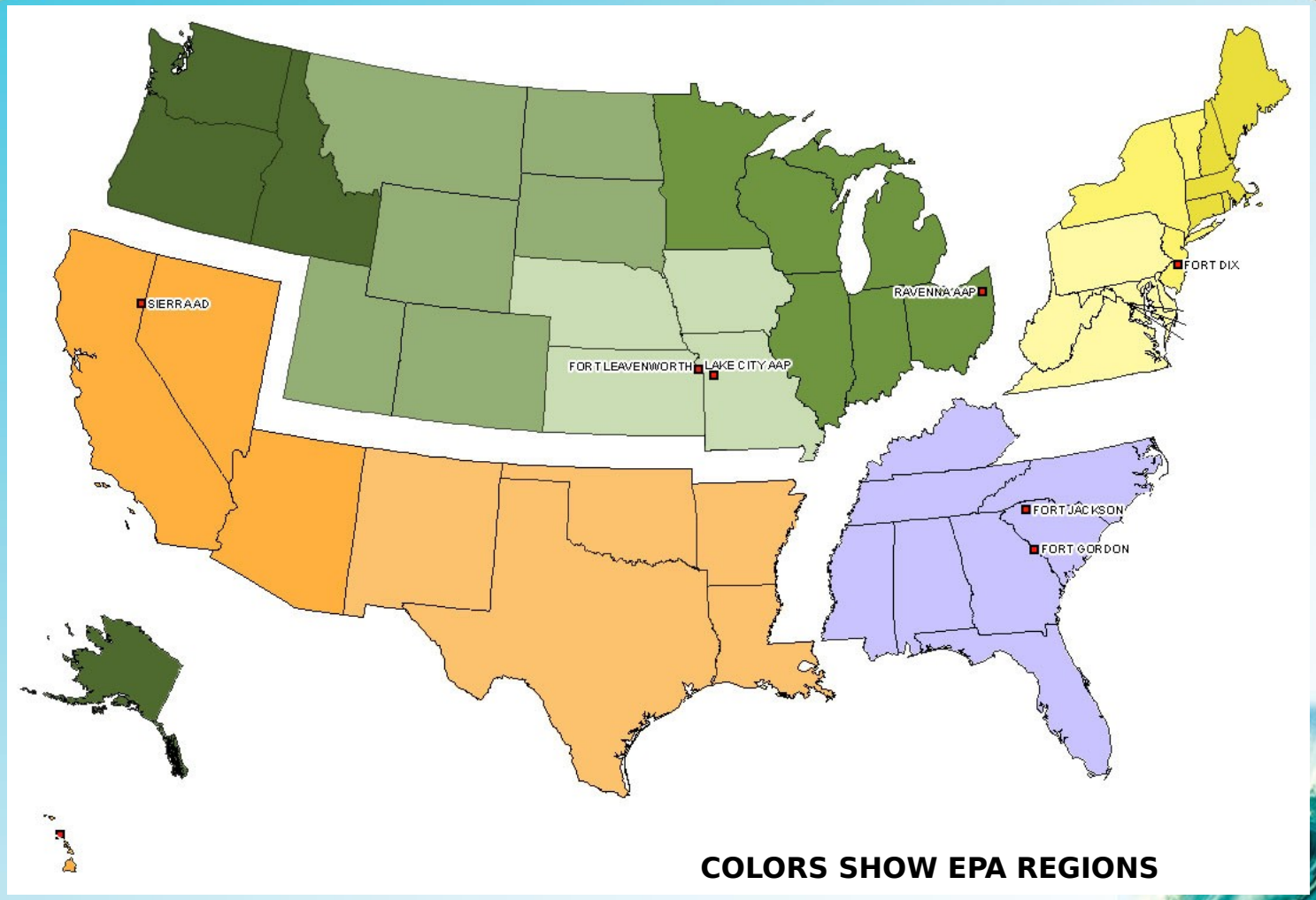
SUMMARY

- With Performance-Based Contracts, Army remains responsible for cleanup
- Performance-Based Contracts make the Contractor accountable to the Army for their performance
  - Meet schedules
  - Save resources that can be reinvested
- Seeking EPA/State input on contract performance measures
- Army/EPA/State need to partner to ensure performance measures are met to ensure satisfactory project completion and closeout
- Army will continue with success achieved in FY03 as candidate locations are evaluated in FY04 and FY05

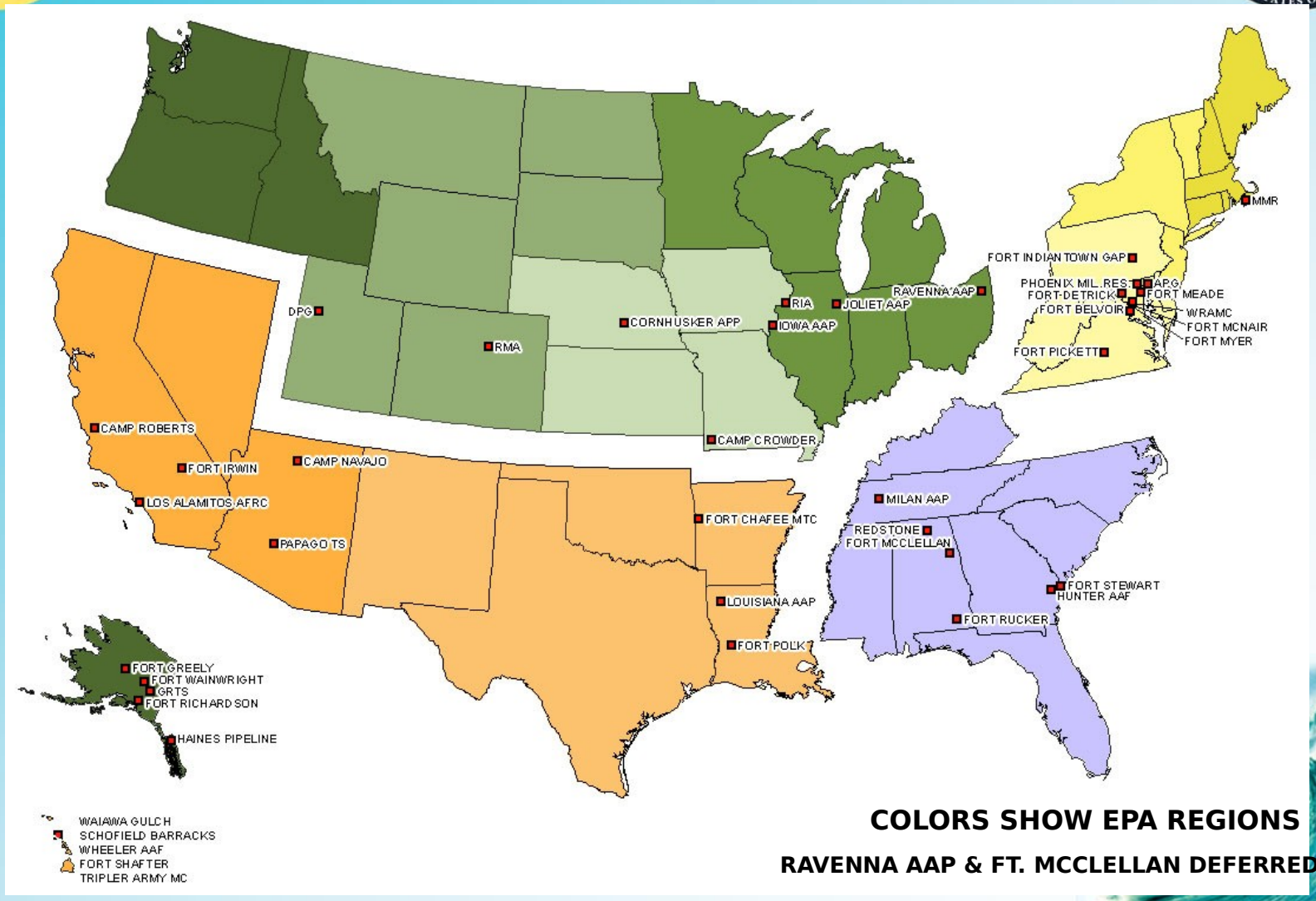
BACKUP SLIDES

PBCs AWARDED

(ACTIVE INSTALLATIONS)



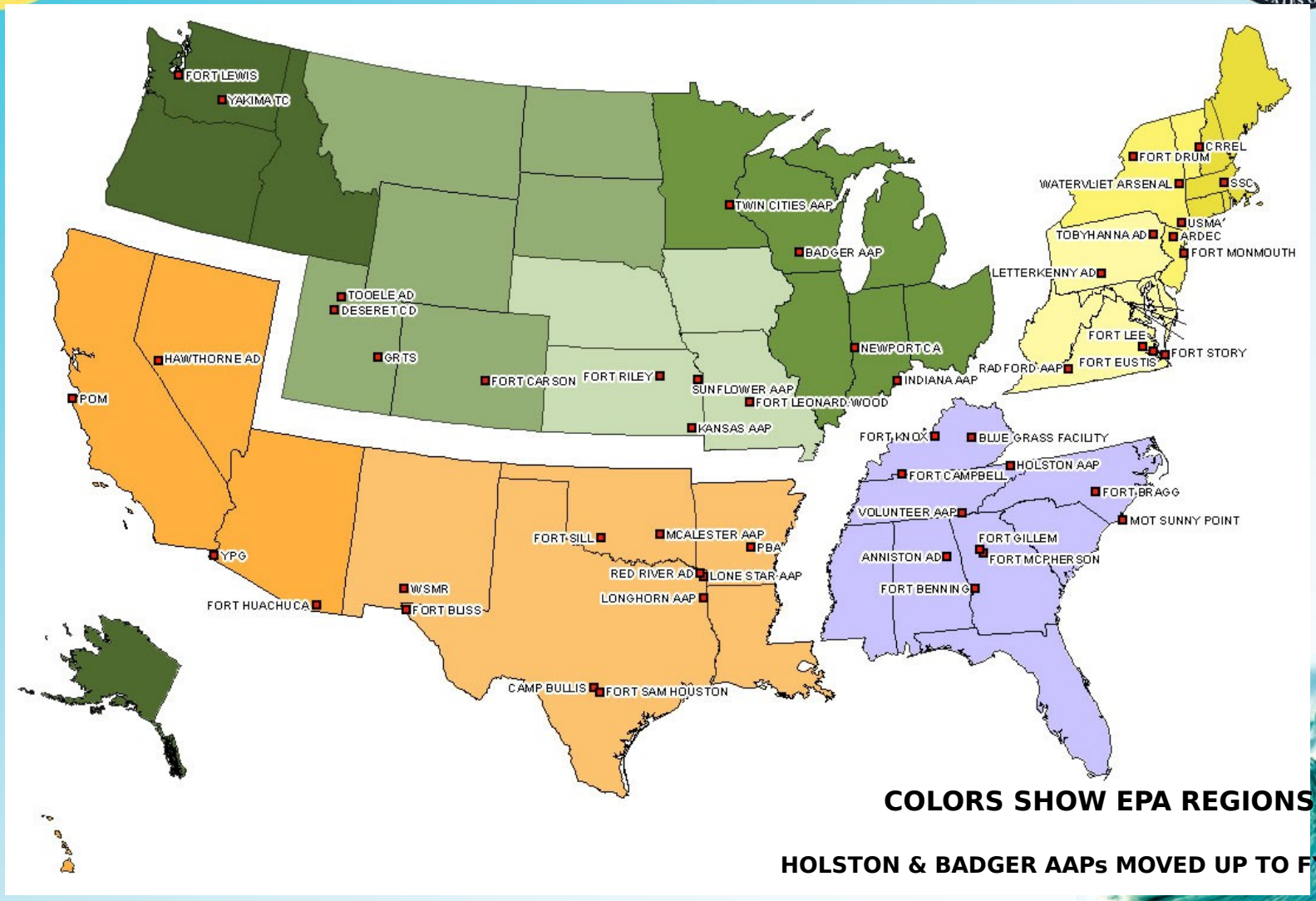
FY04 CANDIDATES



COLORS SHOW EPA REGIONS

RAVENNA AAP & FT. MCCLELLAN DEFERRED

FY05 CANDIDATES



COLORS SHOW EPA REGIONS

HOLSTON & BADGER AAPs MOVED UP TO FY04

FY05+: POTENTIAL + AWARDED PBCs